

C. ALTERNATIVES ANALYSIS GUIDE

Alternatives analysis is an evaluation of all feasible and reasonable alternatives meeting the proposal vision and goals. Status quo is including in the alternatives analysis to provide a baseline and a better understanding of why the investment is needed. Comparing alternatives helps the proposal writer identify potential weaknesses, as well as solutions for such weaknesses, prior to project funding. In addition, alternatives analysis can strengthen the position for proposing the selected project by examining several alternatives and showing that the selected option yields greater returns, stronger linkage to strategic goals or lower costs for the organization.

The development and refinement of alternatives is an iterative process. Preliminary analysis of each alternative can include the development of:

- High-level project plans
- Assumptions
- Advantages/Disadvantages
- Risks
- Initial Cost Estimates
- Initial Benefit Estimates

Be sure to attach a copy of the completed alternatives analysis template and summary sheet to the acquisition application. A full alternatives analysis is not required for non-IT planning proposals. Information technology planning-level applications should comply with requirements set forth by the Office of Information and Technology/CIO.

1. Alternative Requirements

OMB Circular A-94 delineates the minimum number of alternatives that should be investigated. VA subscribes to this list and emphasizes that the minimal requirements necessary for submission to the SMC are the following:

Infrastructure – At least seven alternatives are possible, but a minimum of four alternatives must be considered, one of which must be **status quo** to use as a comparative baseline. Two of the alternatives that must be investigated to address OMB concerns are **renovation** and **contract out**. In addition, there are four other alternatives that can be pursued by the investment proposal team: build, buy, lease, and share.

Lease or GSA space assignments - At least four of the following options are to be considered: status quo (continue the current lease or space assignment); buy (purchase an existing facility); build a new facility; renovate a facility on VA-owned or purchased land; contract out the existing function; or pursue an enhanced-use lease.

The table below presents potential alternatives for the project categories, including but not limited to the following options:

Table 4: Potential Alternatives¹

Project Category	Reno-vate	Build	Buy	Lease	Status Quo	Share	Contract for Function	VA Developed Software	Total Options
Infrastructure	x	x	x	x	x	x	x		7
Lease		x	x		x	x	x		5
Non-Medical Equipment			x	x	x	x	x		5
Medical Equipment			x	x	x	x	x		5
Information Technology ²			x	x	x	x	x	x	6
Enhanced- Use		x	x	x	x	x			5
Enhanced Sharing Agreement (ESA)			x		x	x	x		4
Energy Savings Performance Contract (ESPC)	x	x	x		x		x		5

¹Alternatives in this table are for illustrative purposes only and are not to be construed as a complete listing as Enhanced-use, Enhanced Sharing Agreements, and Energy Savings Performance Contracts have multiple options.

²Refer to the VA IT Investment Management Guide, prepared by the Office of Information and Technology, for more information on the requirements for IT investment proposals.

In addition to exploring all viable alternatives, the following four criteria should be met when evaluating each potential investment:

- **The same information set is provided for each alternative** – evaluate each alternative using the same criteria (as demonstrated in the template).
- **All information gathered is documented** – be sure to include any data sources and calculations that are used to support analysis.
- **Internal valuations are comparable to industry standards** – use generally accepted estimates when evaluating expected costs and benefits.
- **The impact variables or assumptions on each alternative are identified** – document and explain all assumptions and any variables that are not explicitly stated in the analysis.

2. Complete the Template

The accompanying Microsoft Word® template (Alternatives Analysis Template.doc) provides a format to assemble the alternatives analysis. The template is based on the FY 2005 Capital Investment Decision Criteria for the acquisition application. Populating the table should begin after the Capital Investment Proposal Criteria (See Criteria Guide) have been reviewed, analyzed and completed. This includes identifying performance measures and benefits (quantitative and qualitative), and conducting a Cost-Effectiveness Analysis and Risk Analysis for each alternative.

The information for the PROPOSED alternative should be listed in the Alternative #1 column. Further, if there are more than four viable alternatives, create another copy of the template listing the additional alternatives. To do this, save/print the results of the first four, then rename the columns with the additional alternatives, and save/print the second set. **On all copies, be sure to replace 'Alternative #_' (located across the top of the template) with the actual name of the identified alternatives.** Also, describe how it affects each of the sub-criteria from the decision model. This analysis should be completed using the Capital Investment Criteria Guide. For example:

Criteria	Status Quo	Renovate	Lease	Build
3.2 Decrease Underutilized Capacity	No expected change in utilization of capacity	Reduces underutilized space by 25%	Underutilized space is eliminated	Underutilized space is eliminated

3. Evaluating the Alternatives Analysis

During validation, the Panel will review and score the quality of information, appropriate supporting documentation, and the summary results based on the information provided in the template. Further, they will evaluate whether all feasible alternatives were addressed with completeness.

In addition to completing the Alternatives Analysis template, a narrative summary should:

- Describe in detail the best alternatives to the proposed investment along with the rationale for choosing or not choosing it.
- Describe why the selected alternative is the best option for meeting program needs.
- Include a description of the capacity of alternatives to handle the anticipated demand with associated cost. The alternatives could be larger or smaller investments than the one being proposed, or require alternative modes of delivery.
- Demonstrate that each alternative was compared using the same types of analysis.